

Message Text

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ACTION EB-07

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C O N F I D E N T I A L KINGSTON 162

EO 11652: GDS

TAGS: EMIN, JM

SUBJECT BAUXITE NEGOTIATIONS NEW AND OLD

1. CHARGE DINED NIGHT OF JANUARY 11 WITH LOCAL MANAGERS OF REYNOLDS, REVERE, AND ALCAN. OCCASION STRICTLY SOCIAL BUT SOME INTERESTING INFORMATION DEVELOPED. TO WIT:

2. REYNOLDS IS TO BEGIN NEGOTIATIONS WITH THE GOVERNMENT ON JANUARY 14 AND LOOKS FORWARD TO A LONG AND HARD BARGAINING SESSION. THIS WAS CONFIRMED JANUARY 13 IN THE PRESS WHICH SPECULATED THAT THE NEGOTIATIONS WITH REYNOLDS WOULD BE DIFFICULT BUT SIGNIFICANT. REYNOLDS IS FIELDING A FOUR-MAN TEAM HEADED BY VICE PRESIDENT AND CHIEF COUNSEL SKIAROFSKI.

3. REVERE MANAGER O'DONNELL CONFIRMED OUR READING OF THE HEADS OF AGREEMENT INITIALED BY REVERE AND THE GOVERNMENT THAT IT SIMPLY FAILS TO ADDRESS THE LEGAL, CORPORATED, AND OWNERSHIP STATUS OF THE REVERE REFINING OPERATION. APPARENTLY THE AGREEMENT REFERS ONLY TO BAUXITE MINING AND THE REFINERY WILL REMAIN THE PROPERTY OF A SEPARATE COMPANY WHOLLY OWNED BY REVERE AND ITS JAPANAEESE PARTNERS UNLESS THE GOJ BUYS INTO THE REFINERY OPERATION IN ORDER TO FINANCE ADDITIONAL CAPACITY, THE PRODUCT OF WHICH IT WOULD CONTROL. FAILURE OF THE AGREEMENT TO DEAL WITH THE REFINERY IS A SIGNIFICANT OMISSION SINCE IT WAS PRECISELY
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THESE ISSUES THAT DELAYED A CONCLUSION TO THE NEGOTIATIONS

FOR SO LONG. WHAT SEEMS TO HAVE HAPPENED IS THAT REVERE STONEWALLED AND THE GOVERNMENT CAVED RATHER THAN FACE A PUBLIC CONFRONTATION WITH REVERE AT THIS POINT. IF THIS INTERPRETATION IS CORRECT, THE REVERE AGREEMENT MAY HAVE IMPORTANT IMPLICATIONS FOR THE OTHER COMPANIES, ESPECIALLY ALPART, ALCAN AND ALCOA, ALL OF WHICH HAVE LARGE REFINING OPERATIONS. IT MAY ALSO HAVE IMPORTANT IMPLICATIONS FOR OPIC SINCE THE BIGGEST CHUNK OF OPIC COVERAGE REFERS TO REFINERIES RATHER THAN TO BAUXITE MINING PER SE.

4. ALCAN HAS NOT YET BEEN NOTIFIED OF A NEGOTIATING DATE, BUT LATE LAST WEEK WENT THROUGH A THREE-DAY RETREAT DURING WHICH HIGH-LEVEL OFFICIERS, INCLUDING SEVERAL FROM THE MONTREAL HEADQUARTERS CARRIED OUT A SCENARIO-WRITING EXERCISE DESIGNED TO ASSESS ALCAN'S FUTURE IN JAMAICA AND RELATIONSHIP WITH THE GOJ OVER THE NEXT YEAR, TWO YEARS, AND FIVE YEARS. THESE STUDIES HAVE NOT YET BEEN FINALIZED BUT ALCAN MANAGER GAGNON PROMISES US COPIES WHEN THEY ARE. HEWITT

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